



**Approved Minutes
Idaho Soil Conservation Commission
Idaho State Department of Agriculture
Lower Conference Rooms 1 and 2
January 11, 2006
Boise, Idaho**

The Idaho Soil Conservation Commission (ISCC) held its regular, bi-monthly meeting on January 11, 2006 at the offices of the Idaho State Department of Agriculture, 2270 Old Penitentiary Road, Boise, Idaho in Lower Conference Rooms 1 and 2. Those present at the meeting included the following:

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Governor
Dirk Kempthorne

Commission members
Jerry Reid
Bill Whittom
J. Morgan Evans
Gary Grindstaff
Tom Johnston

Administrator
Jerry Nicolescu

Members: J. Morgan Evans, Chairman
Gary Grindstaff, Vice-Chairman
Jerry Reid, - Acting Secretary

Members not Present: Tom Johnston

Advisors: Rich Sims, NRCS
Kyle Hawley, IASCD

Advisors not present: Paul McCawley, University of Idaho (U of I)

Others: Jerry Nicolescu, ISCC
Brenda Thomasson, ISCC
Kathy Weaver, ISCC
Christy Mastin, ISCC
Kathie Shea, ISCC
Tony Bennett, ISCC
Biff Burleigh, ISCC
Debbie Tiede, IDEA
Kent Foster, IASCD
J.E. Bowden, State Auditor's Office
Ken Stinson, Latah SWCD
Jennifer Ambrose, ISCC

Welcome/Announcements

Chairman Evans welcomed everyone and called the meeting to order at 8:30 A.M.

Minutes

Evans asked if everyone had had an opportunity to review the draft minutes of the November meeting. All stated that they had read the draft minutes. Reid had several minor corrections to the minutes. Grindstaff moved to approve the minutes with the corrections. Reid seconded and the motion carried.

Financial Reports

December 2005 General Fund Report

Thomasson presented copies of the November financial report, which had previously been mailed, and explained that she had not yet received the December financial report. It was made known shortly thereafter that Fiscal had just produced the December report and copies would be available immediately.

December 2005 RCRDP Financial Report

Mastin distributed copies of the RCRDP financial report. She stated that these were her figures only, as she also had not yet received information from Nielsen. She explained that five loans had paid off, of which three were regularly scheduled to pay off and two were early pay-offs. Reid moved to approve Mastin's report. Grindstaff seconded and the motion carried.

December 2005 General Fund Report (Continued)

Thomasson asked Evans if he would like to have copies of the Commission FY2007 Budget request distributed. Evans stated this would be a good time to distribute copies. Copies were distributed and Thomasson began explaining the Governor's recommended budget. Nicolescu returned to the room with copies of the December financial report, which he distributed. Evans asked why the Commission had three vacant positions. Thomasson explained that these positions remain vacant because they are specifically assigned to the CREP program. The Governor's office has asked that the Commission wait to hire those positions until the CREP program is approved on a national level. The members also asked about the money used out of the Commission budget last year for Eastern Snake River Aquifer Mitigation projects and whether or not that money would ever be returned to the Commission's budget. It was

indicated the funds accomplished conservation of soil and water, but that the SCC would not recoup those funds.

Sims stated that NRCS had piggy-backed funds for those project and it was quite successful the first year. The irrigation district was unwilling to put agreements in writing, so some of the projects did not follow-through the second year. The CREP program will require pumps be locked down for at least the 15 years of the program contract. The Idaho Department of Water Resources will be monitoring this portion of the program. The Commission will hold the State's contract for the CREP program and will be completely responsible for the State's component. Funds for CREP come through CCC from FSA. Evans asked Sims if the funds would really be coming. Sims reported that Wayne Hammond from FSA states that the funds should be available. Nicolescu reported that the State has committed to providing 20% of the funds for the CREP program, either in cash or through in-kind contributions. Weaver asked if we need to ask for additional spending authority once the CREP program gets up and running. Three million dollars in sign-up incentive payments are supposed to be available to get the program started. The money will come from the ground water districts for the Commission to put back out in payments. Nicolescu assumes that we will get receipts authority for the CREP program only. Nicolescu completed review of the Governor's recommended budget for FY07, pointing out changes.

Returning to the general fund report, Thomasson briefly reviewed the December expenses. She stated that the general fund operating balance will drop even more dramatically after the Commission meeting, since the second allocation to Districts has been prepared and is ready to be submitted to fiscal once approved by the members. There are currently fifteen allocations with an "on hold" status until a determination can be made as to excess funds/assets. This will decrease the T&B. Reid moved to approve the financial report. Grindstaff seconded and the motion carried.

RCRDP Loan Application Reviews

J. Thomas and Edna Palmer

Mastin presented the loan request of Tom and Edna Palmer from the Oneida SWCD to convert surface irrigated hay land to a center pivot system. The Palmers currently have an EQIP contract and have requested a \$10,000 grant, which Burleigh previously presented at the November Commission meeting. That grant was tabled until this meeting, when the loan could also be presented. Mastin has some concerns regarding the debt to income ratio, particularly with regard to repayment and cash flow on the operation, though the off-farm income does support some of the debt. Reid stated that the main thing he notices is the debt to income ratio, but taking everything else into consideration, Reid moved to approve the loan. Grindstaff seconded and after a brief discussion, the motion carried.

Details of the loan request are listed below:

Signing Parties: J. Thomas and Edna Palmer		
Loan Amount: \$ 56,700	Term: 7 years	Rate: 4%
Conditions: <ul style="list-style-type: none"> · ISCC to secure 1st lien on equipment to be purchased (UCC-1) · Secured equipment to be insured for life of loan · Assignment of EQUP funds to SCC for repayment. 		
Disposition: Approved with above conditions.		

Roger and Mary Stutzman

Mastin next presented the request of Roger and Mary Stutzman from the Balanced Rock SCD requesting \$55,000 on a seven-year term at four percent interest. The project would convert surface irrigation to a center pivot and will include a pond and overflow pipe line. The Stutzmans have two other equipment loans with the Commission and are paying as agreed. Reid moved to approve the loan. Grindstaff seconded and the motion carried.

Signing Parties: Roger and Mary Stutzman		
Loan Amount: \$55,000	Term: 7 Years	Rate: 4 %
Conditions: <ul style="list-style-type: none"> · ISCC to secure 1st lien on equipment to be purchased (UCC-1) · Secured equipment to be insured for life of loan 		
Disposition: Approved as requested.		

Michael and Marcia Chojnacky

Mastin presented the Chojnacky's request for \$75,000 to replace and old pump station and wheel lines with a new pond, pump station and two new Reinke center pivots. A new 25 hp low rpm pump will replace two 20 hp high rpm pumps. Substantial power savings should be realized. Grindstaff moved to approve. Reid seconded and the motion carried.

Signing Parties: Michael and Marcia Chojnacky		
Loan Amount: \$75,000	Term: 5 Years	Rate: 3 %
Conditions: <ul style="list-style-type: none"> · ISCC to secure 1st lien on equipment (two center pivots) to be purchased (UCC-1) · Secured equipment to be insured for life of loan 		
Disposition: Approved as requested.		

Jay and Lori Loesche

The loan request of Jay and Lori Loesch from the Wood River SCD was considered next. The request is for a \$60,000 loan for a 15 year term at five percent interest to convert from surface irrigation to a center pivot system to reduce soil erosion and water run-off into 700 Creek. Mastin has a concern over a consumer report with collections placed only two years ago and charge offs as well. Negative working capital is common when most income is from a wage. He does meet most guidelines without charge off and collection debts included in the analysis. Grindstaff has concerns with this loan, and moved to deny the loan. Reid seconded the motion and the motion to deny carried.

Signing Parties: Jay and Lori Loesche		
Loan Amount: \$60,000	Term: 15 Years	Rate: 5 %
Conditions: <ul style="list-style-type: none"> · ISCC to be secured by an insured 2nd R/E mortgage on 40 acres · Value of R/E to be established by an acceptable evaluation source · ISCC to secure 1st lien on equipment to be purchased (UCC-1) · (Center Pivot) · Secured equipment to be insured for life of loan 		
Disposition: Denied		

Everett and Stella Messner

The next request presented was for Everett and Stella Messner of the Twin Falls SCD for \$50,000 on a ten year term at four percent interest. The funds would be used to replace 525 wheel lines, pressurized by diesel with a center pivot. A pivot will lower operating costs, diesel, labor, and will add the ability to grow corn for silage. The applicant plans to dig and bury the mainline himself. This will be a low pressure center pivot system when complete. Reid moved to approve the loan. Grindstaff seconded and the motion carried.

Signing Parties: Everett and Stella Messner					
Loan Amount:	\$50,000	Term:	10 Years	Rate:	4 %
Conditions:	<ul style="list-style-type: none">· ISCC to be secured by an insured 2nd R/E mortgage· Value of R/E to be established by an acceptable evaluation source<ul style="list-style-type: none">○ ISCC to secure 1st lien on equipment to be purchased (UCC-1)○ Secured equipment to be insured for life of loan				
Disposition:	Approved				

Richard and Carman Kevan

Mastin presented the Kevan's request for an \$80,000 loan to convert 45 acres of wheel lines and 73 acres of surface irrigation to one center pivot system including a pond. The applicant has Salmon River Canal Water stock and has not farmed the land in low water years. This will allow them to use their water more efficiently, reduce soil erosion, and save on energy and labor as well. The applicant has had two previous loans with the Commission and both were paid to zero in 2000, with all payments made on time. Their son, Tony Kevan, has offered to co-sign this loan if necessary and has provided his financial information. Though the working capital is negative, Mastin recommends approval without a co-signer. They have adequate repayment, good collateral position, and good management of debt. Reid moved to approve without Tony Kevan as a co-signer. Grindstaff seconded. There was a brief discussion about the difference in the cost of the project. The funds will likely come from their son for the difference and might be considered for a grant. Grindstaff would like a co-signer. Reid withdrew the original motion and changed his motion to include Tony Kevan as a co-signer. Grindstaff seconded and the motion carried.

Signing Parties: Richard and Carman Kevan					
Loan Amount:	\$80,000	Term:	10 years	Rate:	4 %
Conditions:	<ul style="list-style-type: none">· ISCC to be secured by an insured 1st R/E mortgage on 155 acres· Value of R/E to be established by an acceptable evaluation source<ul style="list-style-type: none">○ ISCC to be secured by the pivot system○ ISCC to secure 1st lien on equipment to be purchased (UCC-1)○ Secured equipment to be insured for life of loan○ Tony Kevan to sign as a co-signer.				
Disposition:	Approved with above conditions.				

Grindstaff commented that farm income was up this year, but that expenses were up even more. Reid stated that we have loaned on applications that were somewhat more risky than in past years. Nicolescu pointed out that the primary purpose of the program is to put conservation practices on the ground, as long as the loans are not too risky. Reid wanted to revisit the Palmer loan. He asked if a condition of the loan be that when the EQIP funds become available, those funds be used to pay towards the loan. Sims stated that there is a form that can be used to transfer the funds to another entity once the conservation practice is approved by NRCS. Grindstaff suggested that Mastin include EQIP funds as part of the terms of the loan where they are available. Grindstaff moved to request that EQIP funds be assigned on the Palmer loan. Reid seconded and the motion carried.

Servicing Actions

Kent and Rebecca Lierman

The Lierman's are requesting a \$16,000 increase in the loan amount previously approved due to a change in the design – the addition of handlines in two corners with a total cost of \$20,000.

Signing Parties: Kent and Rebecca Lierman		
Loan Amount: \$58,000	Term: 7 Years	Rate: 4%
Conditions:	<ul style="list-style-type: none"> ○ ISCC to be secured by the pivot system ○ ISCC to secure 1st lien on equipment to be purchased (UCC-1) ○ Secured equipment to be insured for life of loan 	

Disposition: Approved

Grindstaff moved to approve. Reid seconded and the motion carried.

Robert and Barbara Holloway

The Holloways are also requesting an increase in their loan amount by \$10,000 to cover cost overruns and additional rock picking that was needed.

Signing Parties: Robert and Barbara Holloway			
Loan Amount: \$40,000		Term: 5 Years	Rate: 3 %
Conditions:		· ISCC to secure 1 st lien on equipment to be purchased (UCC-1) · Secured equipment to be insured for life of loan	
Disposition:		Approved	

Reid moved to approve. Grindstaff seconded and the motion carried.

Larry and Cynthia Meyer

The Meyers are requesting to drop the EQIP assignment on the loan approved during the November 2005 meeting (details of original request below). The costs were for pivot materials, not trench labor, power, etc. The total cost is \$81,258, leaving \$2,548 for the applicant to cover.

Signing Parties: Larry and Cynthia Meyer					
Loan Amount:	\$50,000	Term:	7 Years	Rate:	4 %
Conditions:	<ul style="list-style-type: none">· ISCC to secure 1st lien on equipment to be purchased (UCC-1)· (Center Pivot, pump and panels)· Secured equipment to be insured for life of loan				
Disposition:	Approved as Requested				

Grindstaff moved to approve the request. Reid seconded and the motion carried.

Michael Mathews

Mathews requested subordination to FCS, which was approved by Jerry Nicolescu on December 15, 2005 and is presented today for concurrence by the Members. The members agreed with the decision, stating that no formal motion to approve was required.

John Hurley

Hurley is requesting an increase of \$5,000 in his loan amount because of an increase in costs. The total loan amount would be for \$45,000.00 and was preliminarily approved by Jerry Nicolescu on December 15, 2005. It is brought forward today for concurrence by the Members. Again, the members concurred, with no formal motion required. For the record, Grindstaff stated that this authority has been granted to Nicolescu and that the members concur with this decision.

Extensions

Ellen Jean Smith

Ms. Smith has requested and received a time extension once previously. The irrigation company she first ordered her pivot from went out of business. Now the Smiths are finalizing the project with NRCS. Verification has been received by Mastin from NRCS that the project is close to completion, requiring only a review of the pump and some pipe. An extension is requested until June 11, 2006.

Jim Pearson and Lynn Griffiths also requested time extensions. Grindstaff moved to approve all three extensions. Reid seconded and the motion carried.

Late Fees

Mastin asked the members if they had any suggested guidance on collecting late fees. She suggested several options, including waiving late fees, or holding property until the fees are paid. Nicolescu suggested that a letter be sent stating that the lien will not be released until late fees are paid. Evans thanked Mastin for her work with the Commission and thanked her for the work she has done so far. Mastin and Thomasson have been working on a letter to all customers letting them know that late fees will be collected. A copy of the letter will be available for the March Commission meeting.

Public Records Requests

Thomasson asked the members for guidance on how to respond to a "Notice of Objection" issued by Ms. Kathryn Hodulik which has been received by two Districts so far. Nicolescu reported that one District, Wood River, has been sued by Hodulik for violating the Public Records Law. The members suggested consulting with the A.G.s office on how to proceed.

Conservation Improvement Grants

Burleigh distributed copies of two grant requests that were tabled for additional information. One of the requests was for Tom Palmer for a \$10,000 grant. Reid moved to approve the grant. Grindstaff seconded and the motion carried. The second grant was for Ryan Ward, who is also requesting a \$10,000 grant. The grant would supplement an EQIP contract, but is not associated with a loan request. The grant would support two separate, but related projects. This grant had been tabled to determine that permits existed to drill the well and stated that it is for a livestock well and irrigation. The permit states that it is for domestic purposes only. Grindstaff moved to approve the grant. Reid seconded and the motion carried. There are 14 active grants, and \$25,000 has been expended on grants just this fiscal year. We need to market this program aggressively, without being sloppy. The word is just starting to get out and Evans predicts that more requests will be received in the future. This should help open doors for some of these projects. Hawley asked if the Pacific Northwest Direct Seed Association has ever put forth a proposal for precision ag. To date, such a project has not been requested. Mastin mentioned that Richard Kevan did not apply for a grant, but that he would certainly fit the program guidelines. Mastin was directed to contact Kevan and see if he would be interested in receiving a \$10,000 grant and encouraging him to apply. Burleigh pointed out that the policy for giving grants is very broad, and that there is only a brief section in District law that gives the Commission the ability to bestow grants for conservation improvements.

Water Quality Program for Agriculture

Burleigh distributed a budget status report for the WQPA program. There is about \$600,000 remaining to be expended in the last six months of the year. There have been several projects initiated to get the funds out on the ground. Some projects have been extended and practices will continue going on the ground. There is a bit of a lull in the program right now, as the staff is transitioning from writing implementation plans to actually implementing the practices. Burleigh states that all administrative costs will be expended this year. He is confident that all of the \$600,000 will be expended on project costs. In FY05, \$212,000 was sent as advance funds for projects. All but \$70,000 of that money has been expended so far.

TMDL 2006 Action Plan/Progress Report

Bennett distributed copies of the draft TMDL 2006 Action Plan. He also distributed copies of the TMDL Implementation plan for the ag component. Bennett stated that he is providing this status report to show where the Commission is with implementation and stated that Burleigh had touched on the shift in the workload. Many of the implementation plans are close to being completed and staff is now beginning to focus on actual implementation. Bennett proposed a strategy session on looking at the workload and the staff that is out there to complete implementation.

Bennett stated that the technical staff will get together and bring a proposal to one of the future Commission meetings. Hawley asked about the possibility of planning staff being laid off now that implementation plans are almost complete. Bennett stated that EPA and DEQ seem to be impressed with the SCC/Idaho Association of Soil

Conservation Districts status reviews. DEQ is still conducting their BURP (Beneficial Use Review Process) procedures. A workload analysis is also being conducted for groundwater priority areas. Staff has been in place to complete the TMDL planning process and Bennett believes that current Association and SCC staff can easily transition to implementing the procedures, rather than just developing the plans. Nitrate priority areas have moved to the forefront in many areas as well. Bennett is trying to include nitrate priority areas with the TMDL implementation plans. If a good strategy is developed, staff transition could be completed smoothly. The Clean Water Act only calls for the development of TMDLs, not for implementation; however, it would be beneficial for all to begin the transition from planning to implementation.

Carbon Sequestration

Bennett distributed copies of a draft agenda for the upcoming advisory committee Carbon Sequestration meeting to be held in Idaho Falls. Bennett is looking forward to holding this meeting and believes there is much benefit to be gained.

RCRDP Policy Discussion

Mastin reported several items of discussions she has had recently with regard to drills. Mastin is requesting some changes in the RCRDP policy. In Section III of the policy, Mastin recommends adjusting the loan limits and amending the section on referring loans over \$100,000 to the SRF fund. Grindstaff would like to see the Commission adopt Mastin's suggestions. As costs increase, it seems that it may now be time to increase the loan limits. Grindstaff moved to increase the loan limit to \$125,000 and that loans greater than \$125,000 shall be referred to the Commission's State Revolving Fund on a case by case basis. Reid seconded. Hawley stated that the Commission already reviews loans on a case by case basis. Motion carried. Reid moved to change the wording from "shall" to "may" and to remove the on a case by case basis language. Grindstaff seconded and the motion carried. On page 2, B Security/Collateral, Mastin recommends striking the language in sub-section (e) (2) (3). Reid moved to strike this language and address the issues on a case by case basis. Grindstaff seconded and the motion carried. In section six, Reid moved to change the collateral margin from twenty-five percent (25%) to 20%. Grindstaff seconded, motion carried.

On page 3, Section IV, 3(b), Mastin would like to clarify that and Idaho OnePlan would be acceptable as completed and approved technical review. This would help applicants who don't have current EQIP plans or an NRCS developed conservation plan. By having the OnePlan, it would take the place of an NRCS developed conservation plan. Grindstaff asked if a conservation data sheet was generated from the OnePlan. Mastin suggested adding the words "including Idaho OnePlan". Weaver would also encourage adding this language, particularly for those who are not participating in Farm Bill programs. Reid moved to include the words signed conservation plan and/or signed Idaho OnePlan in section (3)(b). Grindstaff seconded and the motion carried. On page 6, number 3, pre-payments, Mastin would like to strike the last sentence to apply extra or pre-payments only to principle. Any interest due would need to be paid current. This would bring the policy in line with currently accepted banking standards and with the software program. Most of the loan

payments are made on an annual basis. The software program adjusts automatically. Reid moved to strike the language as requested by Mastin. Grindstaff seconded and the motion carried. Mastin reported that there are still some issues with the new loan program software, but that it is much better than the old loan program software. Much of the changes that need to be made are customer education issues and staff education issues. Nicolescu stated that based on what we knew at the time and the assistance we received, we made the best purchase we could. We may be looking at changing software again in the future to keep up with changing technology and to bring our policies and procedures more in line with accepted banking practices, but that probably won't happen for a while. Nortridge, the loan software company, is working on making some of the adjustments requested by Mastin, but they may not be able to accommodate the requests, since this software was not designed for ag loans. Mastin explained the down-side of early payments. Bowden asked for clarification on how the software is compounding interest. Mastin explained that it compounds on a 365 day per year basis.

Mastin distributed information on direct-seed drills and purchasing a tractor to pull an air seed drill. Reid stated that his concern is that if the Commission opens itself up to loan on anything and everything, we become a bank rather than an organization loaning to put conservation practices on the ground. Sims stated that producers meeting the requirements of the Food Security Act do not necessarily meet the requirements of a Conservation Plan. All of our loans are tied to conservation plans. We may want to consider tightening the criteria for loaning on conservation plans. The biggest problem is that there is not enough staff to monitor to determine if the conservation criteria is being followed. It bothers Reid that this might send the message that it's okay to air seed and then burn fields. Mastin will also require that the NRCS form for certification on ground disturbance be sent to her for consideration for any loans for drills. Hawley suggested setting and/or adding a T level to the criteria for loans. He suggests looking at the CSP program as the criteria for the system. Sims will bring three or four alternatives to the next meeting, including the soil index, soil equations, etc. to see what might be the best choice for the Commission. Bowden pointed out the increased risk might require increased monitoring. As auditors, they will look for what criteria are being utilized for the loans, but can't change policy. The Commission members do have the ability to make changes in the policy. Evans thanked Bowden for his comments and for being at the meeting.

Wood River District Attorney Fees

Nicolescu reported that the Wood River District has to sign the agreement for assistance from the Attorney General's office. He stated that the District should not have to bear the brunt of the costs, since we will probably need assistance from the AG's office for future concerns about tree sales. Hawley asked if the precedent had not already been established, such as bookstores selling textbooks that compete with universities selling text books. Grindstaff moved to reimburse the Wood River District for up to 20 hours of AG time at \$88.00 per hour. Reid seconded. A discussion ensued regarding setting a precedent. Nicolescu does not want to be in the position of picking up the tab for legal expenses every time a District is sued; however, the Wood River District was acting on the advice of the Commission on how to handle Public Records Request, so

to resolve this issue for all Districts, the Commission should help out to resolve the current issue. Motion carried.

USBWP Program Review

Kathy Weaver asked the members for recommendations for a review committee to address the situation with the USBWP. The members will come up with potential committee members for a review in the Upper Salmon Basin. The review will take place the week of January 23 through the 27 in Custer and Lemhi Counties. As soon as team members are selected, the times and locations will be confirmed.

Business Plan Review

All Districts with excess funds and/or assets had to submit a plan to the Association for approval as to how the funds and/or assets would be utilized. Thirteen Districts had plans reviewed at the Association meeting in November. Eight plans were approved and five were sent back to the respective Districts for revision. The Association met January 9 and 10 and approved four of those five revised plans. Snake River District's plan still has not been approved. Snake River did send a letter asking that several questions be clarified. Snake River also did not get their questions answered promptly, which did not allow them the opportunity to submit their plan in a timely manner. Hawley believes, based on discussion of the Board of Directors, he would recommend that Snake River's plan be approved with the new information provided. Foster feels that all Districts have made an effort to comply with the need to have a plan for using excess funds. Snake River faxed in a letter yesterday (January 10, 2006) that included a scholarship program with their plan. A standard form was included when plans were requested, but not all Districts followed the format. For Districts with fewer funds, the standard form works well, but may not work as well for Districts with larger fund balances. A better business plan format needs to be developed that will guide all Districts through the process. Both the SCC and the Association have been at fault for not clarifying this issue sooner. Districts also need to provide a cash-flow statement. Ada SWCD has the largest amount of funding, yet their business plan was not as well developed as it might have been. We need to be able to move forward and continue to monitor the progress of the business plans. Developing the form will be a joint effort between the Commission and the Association. Grindstaff moved to accept the recommendation of Idaho Association of Soil Conservation Districts to approve the business plans. Reid seconded and the motion carried.

District Allocations

Shea distributed copies of the FY2006 budget for the second half of the allocations. She requested approval by the members to implement the second allocation to Districts. All Districts complied with the Commission's request to submit their QuickBooks files, except for the Latah SWCD. Latah has not complied with the SCC's request to submit their QuickBooks files electronically based upon transmission security and landowner privacy issues. Reid moved to release the second allocation of all Districts except Latah. Grindstaff seconded. There was an extended discussion regarding the use of QuickBooks as District accounting software. There was further discussion about

the use of QuickBooks software and transmission electronically of financial information requested by the Commission. The accounts necessary for Commission review can be given restricted permissions within the QuickBooks system, so that staff may review necessary information without compromising security or privacy. A Profit and Loss Statement and Balance Sheet in a non-electronic format can be received by the Commission; however, such a format may not allow the Commission the ability to analyze the information submitted.

Ken Stinson, Latah SWCD manager, explained from a District's point of view, the decision making authority for how an accounting system is built should be a responsibility of a District Board and not be mandated by the Commission. Stinson stated there are security/privacy issues with the present QuickBooks system. It was mentioned there are viable solutions for addressing Districts' security/privacy concerns. The question was again raised, is it the role of the Commission to mandate elected bodies? Evans replied that the Commission is trying to create a standard to evaluate all Districts for ease of legislative review and recommendation. Stinson stated that many District boards might not respond well if the electronic transmission of financial information was understood as a mandate. Grindstaff stated that Districts are all public entities, and that all information of the District should be considered public information. Reid requested specific information concerning the objections to QuickBooks: is it the premise of the Commission mandating what the Districts do, or is it the security of the QuickBooks system itself? It was pointed out that all Districts voted to use the software approved by the Commission as indicated in the Financial Accountability Policies, Guidelines and Procedures for Idaho's Soil Conservation Districts (Approved IASCD Business Meeting November 23, 2004). Stinson maintains the Latah District is using the QuickBooks system and is simply using a different method to provide the information and again posed the question of the Commission's authority to mandate how the information is submitted.

Nicolescu pointed out that in Idaho Code 27-2727, the Commission is charged with the responsibility of writing rules, laws, etc. to carry-out the responsibilities set forth in code. A number of security options have been suggested, but none have been implemented at this point. Hawley stated that the security/privacy issue needs to be resolved and there is a need for a feed-back system so that when the Commission makes an information request, the Districts have the opportunity to respond. He also feels the Commission needs to provide an explanation as to why the reports are requested in any particular format, i.e., this portion goes to DFM, this portion is needed for IDWR, this portion is needed by the Association, etc. In the spirit of partnership, security issues should be addressed on behalf of all Districts. It would also be beneficial to provide feedback all the way around. Shea and Nicolescu will develop answers concerning the multiple uses of QuickBooks information. Nicolescu suggested that the second allocation for all Districts be approved.

Reid moved to amend his motion to include Latah in the second allocation. The motion died for a lack of a second. The original question was called for and the motion carried. Grindstaff moved to work out the issues with Latah before the second allocation is sent. Reid seconded and the motion carried. Evans directed Nicolescu to gather his staff and meet with Latah so that we can resolve this issue. Upon further

discussion, it was reiterated the Latah SWCD is providing needed information to establish financial reports developed by the Commission. Grindstaff moved to go ahead and send Latah their second allocation with the caveat that a meeting is held to resolve the existing issues related to QuickBooks and information sharing prior to March 8th. Reid seconded and the motion carried.

NRCS Report

Sims distributed a copy of a letter from McCain Foods, wherein Conservation Improvement Grants, RCRDP Loans, Idaho OnePlan, the Commission and Association are specifically mentioned. This is a letter that McCain Foods is sending to all their producers. McCain is a four billion dollar supplier to companies such as McDonald's.

Sims also distributed copies of his quarterly report and clarified some of the items listed in his report, and explained the incentive payments available for completing the contracts within the first two years.

Sims concluded with an explanation of the ACES (Agricultural Conservation Enrollment for Seniors) that will pay senior citizens for technical services provided to NRCS. The program will recruit seniors (those over 40) or allow volunteers who already know the system to receive payment for their services. The pay is dependent upon the services provided and ranges between \$8 and \$11 per hour. Each state will have the opportunity to participate in this program. Foster asked if persons currently participating in the CTA program might be eligible for employment. These persons will not be considered as Federal employees and will not count against his employment cap. The program is administered through the National Older Workers Career Center (NOWCC).

Conservation District Annual Plan and Report of Accomplishments

Weaver distributed copies of the proposed changes for the Conservation Districts Annual Plan format. In the past, we have asked that the documents be sent in an Excel Format, and will now be sent out as a Word document. Weaver hopes to have this information available via e-mail, and or on the Commission's web-page by the end of January. This is a tool that Districts can use to show what they plan to do, along with the report of accomplishments. Weaver also has reports of accomplishments completed by each District that emphasize what each District has accomplished. Weaver will work with Nicolescu to determine when the report of accomplishments should be delivered to the Legislature. Weaver has modified the report for use by Idaho.

IDEA Repot

Tiede reported that the IDEA Directors met today and had a good meeting. Diane Miller is the new Director for Division III, Sharon Kinzer is the new alternate for Division II and Laurie Ringle is the new alternate in Division VI. IDEA had some additional funds to provide for employee training. IDEA has a number of new employees that will need training. IDEA also revised the nomination form for the IDEA District Employee of the

year, spelling out that nominees must be in good standing, and cannot be a former recipient of the award. Each Division will now have approximately \$866 dollars for training this year. Tiede reported that much of the meeting was spent discussing upcoming meetings.

QuickBooks Software Review

Shea distributed copies of a report she prepared to address increased security options for QuickBooks Data. She summarized three options. The first would be to upgrade to QuickBooks Online, which would be accessed from a high-speed Internet connection rather than having the software installed on individual computers.

The second solution would be to utilize Remote Accounting Solutions (RAS), which facilitates transmittal of data through company developed software installed on each computer which works as a transmittal tool for sending data. Files are automatically backed up, compressed and encrypted, but does not increase security while on District computers.

Shea's report also included a comparison of the current QuickBooks Software, the RAS system, and QB2006 Online, and also listed the pros and cons of each system. Back-up systems are very important and technical support will become more important when staff changes occur. Currently 18 Districts don't have high-speed internet connections, but of those 18, 13 of them do have access to NRCS high-speed connections. There are only five Districts that don't currently have the high-speed access and of those, only one will probably be a real issue, which is in Mud Lake. Reid moved that the Commission utilize the QB2006 Online version. Grindstaff seconded. During discussion, it was suggested that this be discussed with Districts before the process be implemented. Reid withdrew his motion and Grindstaff withdrew his second. Hawley suggested that this should be brought to the Districts at Spring Division meetings as an opportunity for the Commission to be pro-active in addressing the security concerns raised by the Districts.

Nez Perce Review

Nicolescu reported that he and Kent Foster will be traveling to the NezPerce District next week to review the report put together by the review team. Janet Hohle has been attending all Board meetings and has been active in helping the District to resolve the Commission's concerns. The NezPerce District, has made great strides. John Hermann, Chairman, deserves a tremendous amount of credit, along with other Board members in addressing the revitalization of the District. Nicolescu asked that the members return the two District Supervisors resignations that are being held. Grindstaff moved to follow this recommendation. Reid seconded and the motion carried. Reid reported that he has attended a NezPerce District meeting for a BPA review in December and was impressed with the progress the District has made.

Idaho Association of Soil Conservation Districts Report

Foster reported on the completion of the financial review of the Idaho Association of Soil Conservation District's operation for the calendar year 2004. He also reported that the Conference did not lose any money. This year's conference will be November 12 – 16, 2006 at the Red Lion in Pocatello. The Association will be hosting the NACD Pacific/Southwest Regional meeting June 10-14 at the Doubletree Hotel in Boise. The Association is considering meeting with the Commission in June during this meeting rather than holding a joint meeting in July. There are three bills in the legislature this year that the Association voted to support and will meet with the ag affairs and resource environment committees to request increased support for Districts. The Association also discussed the legislative liaison position. The Association issued a memorandum to Districts on January 9, 2006 to clarify their stand on the creation of a position. The Association's position is Directors and Supervisors should be the spokespersons for Districts, rather than a paid lobbyist.

The Advisory Committee for the Conservation Partnership met yesterday to build a foundation for the future. The accountability policy will also be reviewed, with a draft available for review at Spring Division meetings. There are six CSP agreements in place – five in Northern Idaho and one in Oneida. Ten thousand dollars goes to each District for their support of this program.

Spring Division meetings have been set as follows: Division I, Boundary District, Bonner's Ferry on March 9th. Division II will be in Grangeville on March 8th. Division III will be February 28th in Boise. Division IV has not yet been determined, but will be held March 14th, probably in Burley. Division V will be March 15th hosted by Oneida, but will probably hold the meeting in Pocatello. Division VI could be in Dubois or Rexburg and will probably also be March 15th.

Weaver asked if the Commission would have the opportunity to provide some small training sessions during Division meetings, since there was not an opportunity to provide this training during conference. Hawley indicated that he would work with the Divisions to allow for time as requested.

Grindstaff moved to pay the \$1500.00 invoice for Envirothon. Reid seconded and the motion carried. There has been a request to fund the Soil Judging Contest. Last year the Commission provided \$300.00 funding. Reid moved to give the Soil Judging Contest \$300.00 this year. Grindstaff seconded and the motion carried. Grindstaff moved to provide \$1500.00 to the State Forestry Contest, if they request it this year. Reid seconded and the motion carried.

Mastin stated that she has three loans ready for review and has asked the members for a date for a conference call to review these loans. February 14, 2006 would be the best date for a call at 11:30 a.m. Thomasson will arrange the conference call and will let Mastin and the members know of the details of the call.

Reid moved to enter Executive Session pursuant to Idaho Code Section 67-2345 to discuss personnel issues. Grindstaff seconded. Grindstaff – Aye; Reid – Aye; Evans – Aye. Motion carried. The Commission entered Executive Session at 4:05 p.m.

Left Executive Session at 4:45 p.m. Grindstaff moved to go ahead and send Latah their second allocation with the caveat that a meeting is held to resolve the existing issues related to QuickBooks and information sharing prior to March 8th. Reid seconded and the motion carried.

Reid moved to adjourn. Grindstaff seconded. Motion carried.

Meeting adjourned at 4:50 p.m.
Respectfully submitted by

Brenda Thomasson
Management Assistant